

Proposed Three-Year Financial Strategic Plan

Fiscal Years 2004 Through 2006



Gerald R. Miller, Acting City Manager

January 28, 2003



Tasks at Hand

- **Mayor and City Council tasked the City Manager with creating a Financial Strategy within 90 days**
 - ✓ Acting City Manager initiated the Budget Evaluation Process (BEP) on October 5, 2002
- **Mayor and City Council reassembled the Mayor's Budget Advisory Committee to provide solutions and options within 90 days**



BEP Strategy

- **Goal of Financial Strategic Plan is to eliminate structural deficit in the General Fund**
- **If not addressed, size of the structural deficit expected to grow from an estimated \$52 million to \$90 million by FY 06**
- **Plan should be balanced, comprehensive and fair**



BEP Strategy

- **City must reduce General Fund expenditures in current fiscal year**
- **City must downsize over next three years**
- **Minimize service disruptions**
 - ✓ Preserve commitment to current Public Safety service levels
 - ✓ Maintain commitment to addressing neighborhood infrastructure improvements (\$3.0 million/year)
 - ✓ Complete commitment to ADA Program (\$2.1 million)
 - ✓ Initiate Pilot Alley Improvement Program (\$500,000/year)



Put in Perspective

➤ **Even if we:**

- ✓ Eliminated Parks, Recreation and Marine Department
- ✓ Eliminated Libraries
- ✓ Eliminated Managers

➤ **It would not solve half of the City's \$90 million structural deficit**

➤ **A balanced approach is needed**



BEP Overview

- **Three-Year Financial Strategic Plan**
- **Clarification of Policy Issues and Strategic Concerns (Section 3.0)**
- **Need for Teamwork to Succeed**
 - ✓ Community
 - ✓ City Council
 - ✓ Employees
 - ✓ City Management
 - ✓ Other Stakeholders



BEP Team

➤ Team supporting the Budget Evaluation Process:

- ✓ Suzanne Mason, Acting Deputy City Manager
- ✓ Bob Torrez, Director of Financial Management
- ✓ Mike Killebrew, Budget Manager
- ✓ Desiree Gooch, Contracts Officer
- ✓ Tom Modica, Management Assistant
- ✓ Dave Wodynski, Management Assistant
- ✓ Leslie Horikawa-Thiede, Administrative Analyst



BEP Team

➤ **Other Key Team-members:**

- ✓ Chris Shippey, Deputy City Manager
- ✓ Reggie Harrison, Deputy City Manager
- ✓ Dennis Thys, Neighborhood Services Bureau Manager
- ✓ Entire Executive Management Team
(Department Heads and City Manager's staff)
- ✓ John Zanier, Legislative Analyst, Financial Management
- ✓ Ernie Hernandez, Personnel Analyst, Human Resources



Long-Term Blueprint

➤ **The strategy for Government/Community interaction and decision-making involves:**

✓ Trust

- Restoring the Community's trust in their City's government

✓ Transparency

- Revealing the complex decision-making processes and strategies required to deliver City services

✓ Responsiveness

- Building a Plan that considers the Community's diverse needs and priorities

✓ Community Sustainability

- Maintaining the long-term health of the City by promoting quality of life programming, and continuing to invest in the City's core service areas: infrastructure, economic development and public safety



BEP Guiding Principles

➤ **Listen to the Community**

- ✓ "Voice Your Choice" Survey
- ✓ Community Meeting on City Services

➤ **Structure for Service**

- ✓ Outside review of City Salaries
- ✓ Identification of Best Practices
- ✓ Rightsizing

➤ **Operate In a Business-Like Manner**

- ✓ Competitive Service Delivery
- ✓ Fair Value for use or sale of City assets

➤ **Invest in the Future-Sustainability**

- ✓ Quality of Life
- ✓ Infrastructure
- ✓ Economic Development

Fiscal Condition





Roots of the Gap

- **City has operated with manageable structural deficit for the past 15 years**
- **Decreasing revenues coupled with increased costs**
- **The City lost annual revenues and assumed mandated costs since the early 1990s:**
 - ✓ \$15.0 million ERAF (Property tax shift)
 - ✓ \$900,000 in added Property tax collection costs from the State
 - ✓ \$300,000 Cigarette tax
 - ✓ \$3.0 million annual costs for State mandates
 - ✓ \$35 million annual Utility Users Tax loss by FY 05



FY 03 General Fund Budget

- **Economy was a major factor in development of the FY 03 budget**
 - ✓ National recession
 - ✓ Response to the events of September 11, 2001
 - ✓ Lower or flat revenues, especially Sales and Hotel/Bed taxes
 - ✓ Lower Pipeline Franchise Fees due to lower gas prices
- **Voter mandated UUT rate reduction**
- **Revenue shortfalls and higher costs in FY 02 meant no savings to carry over into FY 03**



FY 03 Proposed General Fund Budget

➤ **\$10 million of additional costs in FY 03**

- ✓ 911/Emergency Operations Center \$4.1 million
- ✓ Public Safety facilities construction debt and equipment leases \$2.6 million
- ✓ Employee health insurance \$1.9 million
- ✓ Other costs include, North LB PAL facility, Parks maintenance contract increases, Animal Control debt & CityPlace Garage costs \$1.4 million

➤ **Decreasing revenues coupled with increased costs created a gap of \$46 million**



City Manager's FY 03 Proposed Budget

- **Used \$37.1 million of one-time revenues**
- **Additional transfers from other funds totaled \$5.8 million**
- **Balance covered with 2.0 percent reductions**



City Council Adopted FY 03 Budget

➤ **Final budget adopted by City Council on September 23, 2002**

- ✓ Increased reductions to 3.5 percent for all General Fund budgets except Fire and Police
- ✓ Fire and Police reduction increased to 3.0 percent
- ✓ Reduced PCA budget \$450,000
- ✓ Added position to City Prosecutor for \$155,822
- ✓ Added three positions to City Auditor for \$188,826



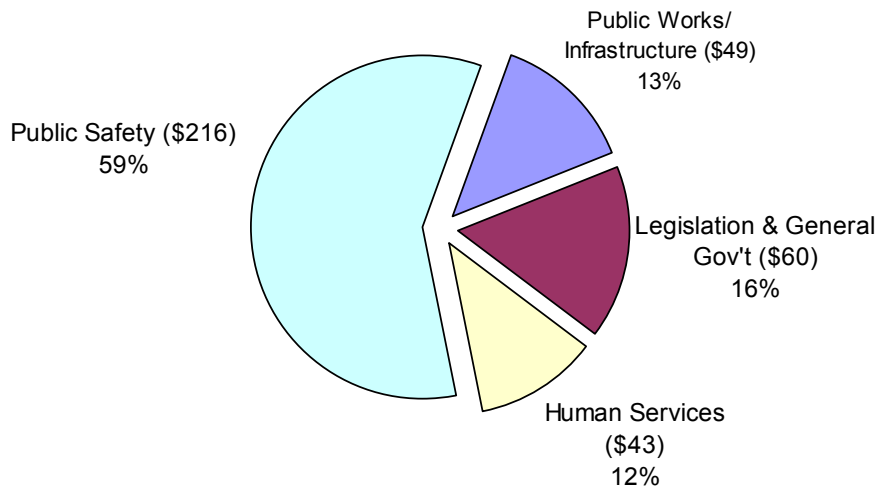
Adopted FY 03 Budget

- **Department reductions totaled \$6.3 million**
- **\$2.4 million ending General Fund operating balance**
- **City's Emergency Reserves maintained at \$35 million**

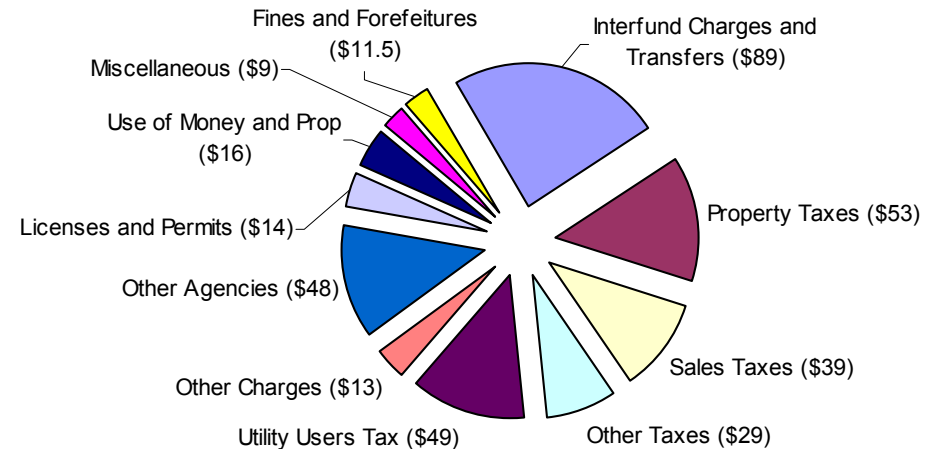


FY 03 General Fund - Exp & Rev

Adopted Expenditures - \$368.2 million



Adopted Revenues - \$370.5 million*



*-Includes \$42.9 of one-time revenues and transfers from other City funds

(in millions)



FY 03 Fiscal Strategy

- **Meet 3.5 percent and 3.0 percent cost reductions**
- **Maximize carryover going into FY 04 by:**
 - ✓ Hiring freeze on non-service-critical positions
 - ✓ Review of all purchases
 - ✓ Possible further reductions to department budgets
- **Continued focus on maintaining core services**



Fiscal Year 2004 Outlook

➤ **Since \$46 million FY 03 gap closed with \$43 million of one-time revenues and additional transfers, gap carries over to FY 04 and increases by:**

- ✓ Negotiated salary increases - \$3.0 million for miscellaneous employees; Safety still under negotiation
- ✓ Health insurance premium costs increase - \$1.9 million
- ✓ Additional UUT Rate Reduction - \$7.0 million
 - Fully offsets other revenue growth
- ✓ Unknown impact to City from State budget decisions



FY 04 Budget Preparation

- **Budget preparation beginning in April 2003**
- **Council-endorsed Three-Year Financial Strategic Plan will provide basis for preparation of the FY 04 budget**



Fiscal Year 2005 Outlook

➤ **Additional considerations in FY 05 will include:**

- ✓ Employee Retirement (PERS) cost increases estimated to exceed \$30 million for General Fund in FY 05
- ✓ Further \$7.0 million decrease in UUT revenues
- ✓ Miscellaneous employees contract open for negotiation

Community Input





“Listen to the Community”

➤ Community input was a critical component of the BEP process

✓ Key Goals:

- Informing the community about the scope of the City’s budget challenges
- Provide community access to the decision-making process



Community Workshop

➤ **“Community Meeting on City Services” held at the Convention Center in November 2002**

- ✓ A forum for City Council, Mayor’s Budget Advisory Committee, City staff and the community to discuss:
 - Budget challenges facing the City
 - Review preliminary community survey results
 - Communicate with City staff on City programs
 - Provide ideas for cost savings and revenue generation



“Voice Your Choice” Survey

- **General Fund services and programs rated**
- **Input on revenue options also sought**
- **English, Spanish and Khmer versions**
- **Mailed, available on the web and at various community group meetings**
- **Over 10,600 survey responses were received**



“Voice Your Choice” Survey Results

➤ The following are some of the service areas the Community considered “essential” and “important”

✓ Pothole/Street Repair	93.7%
✓ Sidewalks, Curb and Gutter Repair	90.2%
✓ Health Code Enforcement	88.6%
✓ Gang Prevention	86.7%
✓ Business Watch	82.2%
✓ School Crossing Guards	80.7%
✓ Property/Building Inspections	80.5%
✓ Animal Control	80.3%



“Voice Your Choice” Survey Results

➤ Below are some of the areas ranked as “nice to have” or “not important”

- | | |
|--|-------|
| ✓ City Cable Television Programs | 79.6% |
| ✓ Mobile Recreation & Skateboard Parks | 72.4% |
| ✓ Municipal Band | 69.8% |
| ✓ Adult Sports | 68.9% |
| ✓ City Support of Parades/Special Events | 67.2% |
| ✓ Public Safety Fairs | 66.8% |
| ✓ Police Athletic League (PAL) | 63.3% |



Other Results

- **16 percent of respondents were opposed to any new revenue increases**
- **Other common suggestions:**
 - ✓ Cut management and salary increases
 - ✓ Curtail employee benefits
 - ✓ Eliminate perks
 - ✓ Contracting-out more City services
 - ✓ Reduce consultant costs
 - ✓ Optimize City services
 - ✓ Review Public Safety services

Three-Year Financial Strategic Plan





Developing the Plan

➤ **To develop a balanced and rational plan required input from all stakeholders**

- ✓ The Community: Over 10,600 survey responses
- ✓ Employees: 361 ideas
- ✓ Department Management: Over 1,200 options
- ✓ Budget Advisory Committee
- ✓ Mayor and City Council



Developing the Plan

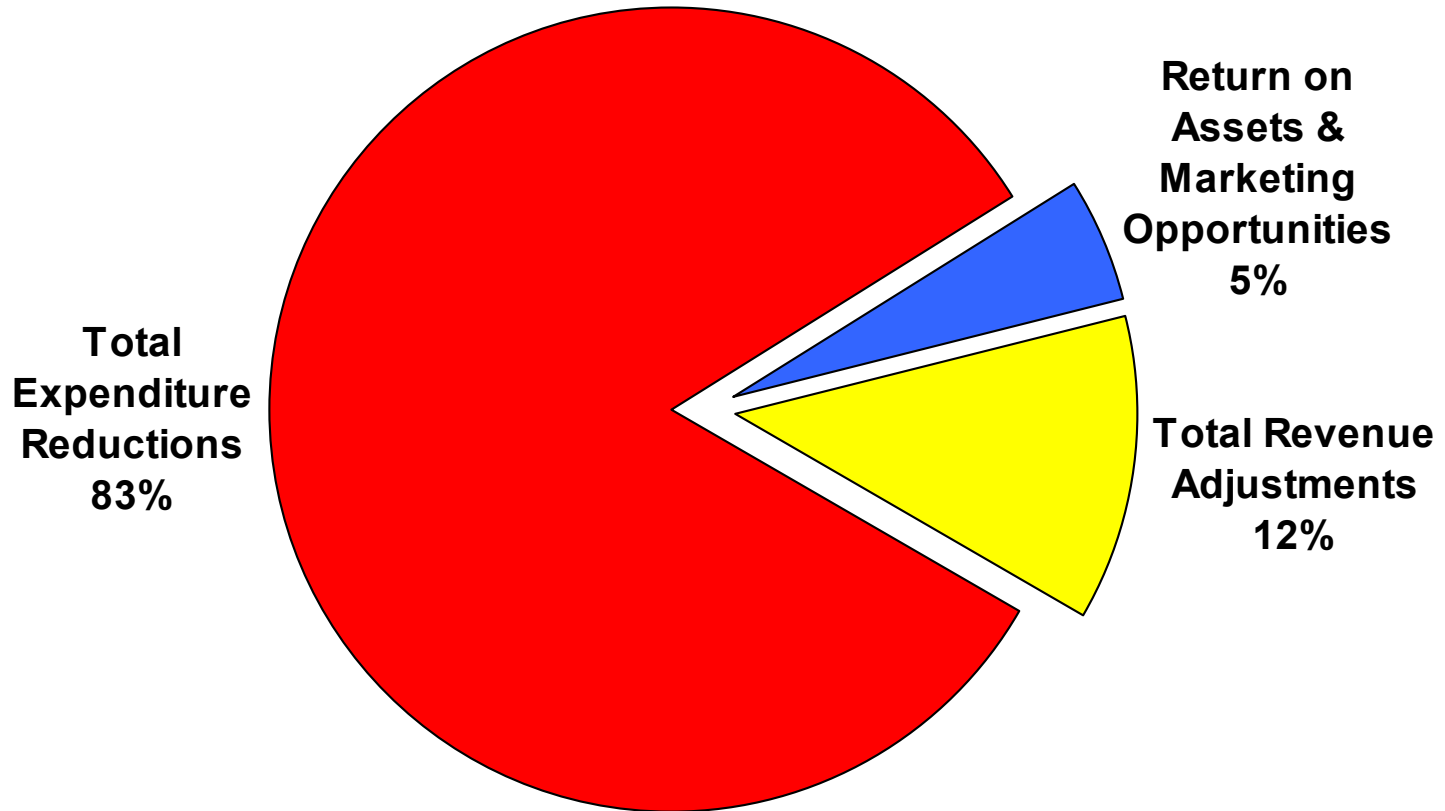
- **Over the 90 days, Department staff researched, formulated and reviewed over 1,200 cost reductions and revenue options**
- **Department Heads and City Manager's staff met more than three times a week over a three-week period to review these options and develop the Proposed Three-Year Financial Strategic Plan**
- **Reflecting the Community's priorities, the Plan concentrated largely on cost reductions and not heavily on increasing fees or taxes**

Proposed Three Year Financial Strategic Plan

Category	FY 04		FY 05		FY 06		THREE YEAR TOTAL		% OF THE SOLUTION
	Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
Estimated Structural Budget Gap	\$52,000,000		\$30,000,000		\$8,000,000		\$90,000,000		
Structural Deficit Remaining from Prior Year			\$11,676,014		\$6,401,213				
Total New Structural Gap	\$52,000,000		\$41,676,014		\$14,401,213				
Carry-over from Previous Year	(\$11,703,428)		(\$2,652,414)		(\$176,201)				
Current Year Budget Gap	\$40,296,572		\$39,023,600		\$14,225,012				
General Administration and Management	(\$7,065,675)		(\$3,225,783)		(\$1,050,071)		(\$11,341,529)		13.2%
Employee Comp, Benefits & Work Practices	(\$3,370,982)		(\$15,074,275)		(\$4,967,441)		(\$23,412,698)		27.2%
Contracting Opportunities	(\$976,381)		(\$1,808,013)		(\$1,000,000)		(\$3,784,394)		4.4%
Operational and Organizational Changes	(\$5,275,668)		(\$1,627,087)		(\$38,048)		(\$6,940,803)		8.1%
Capital Projects and Infrastructure	(\$1,257,664)		(\$1,101,416)		(\$500,000)		(\$2,859,080)		3.3%
Maintenance Reductions	(\$518,385)		(\$2,000,706)				(\$2,519,091)		2.9%
Materials, Supplies and Equipment	(\$3,903,203)		(\$876,121)				(\$4,779,324)		5.6%
Recreation Services	(\$751,135)		(\$1,120,725)		(\$42,430)		(\$1,914,290)		2.2%
Library Services	(\$846,876)						(\$846,876)		1.0%
Public Safety Support and Related Services	(\$3,656,426)		(\$2,289,036)		(\$2,777,709)		(\$8,723,171)		10.1%
Public Safety Emergency Services	(\$146,676)		(\$1,300,000)				(\$1,446,676)		1.7%
Arts and Cultural Programs	(\$780,858)		(\$300,000)				(\$1,080,858)		1.3%
Communication, Promotions and Special	(\$197,441)		(\$213,708)				(\$411,149)		0.5%
Business Services and Attraction	(\$312,215)						(\$312,215)		0.4%
Code Enforcement	(\$184,402)		(\$507,931)				(\$692,333)		0.8%
TOTAL EXPENDITURE REDUCTIONS	(\$29,243,986)	-193	(\$31,444,801)	-220	(\$10,375,699)	-74	(\$71,064,486)	-487	82.7%
Return on Assets & Marketing Opportunities	(\$4,520,000)						(\$4,520,000)		5.3%
New Fees or Taxes	(\$790,000)		(\$3,830,000)				(\$4,620,000)		5.4%
Existing Fees or Taxes	(\$5,770,000)						(\$5,770,000)		6.7%
TOTAL REVENUE ADJUSTMENTS	(\$6,560,000)		(\$3,830,000)				(\$10,390,000)		12.1%
Impact to Structural Deficit	(\$40,323,986)		(\$35,274,801)		(\$10,375,699)		(\$85,974,486)		100.00%
One-time Revenues/Transfers	(\$2,625,000)		(\$3,925,000)		(\$3,925,000)		(\$10,475,000)		
Total Cost/Revenue Adjustments (including one-time)	(\$42,948,986)		(\$39,199,801)		(\$14,300,699)		(\$96,449,486)		
Carry-over Fund Balance	(\$2,652,414)		(\$176,201)		(\$75,687)				
STRUCTURAL DEFICIT REMAINING	\$11,676,014		\$6,401,213		\$4,025,514				



Proposed Plan – Filling the Gap





General Administration and Management

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$7,065,675)	-71.53	(\$3,225,783)	-14.50	(\$1,050,071)	-10.00	(\$11,341,529)	-96.03	13.2%

- Reduce management staffing 25 percent
✓ (48 positions and \$5.3 million)
- Reductions in administrative and support staff
- Reductions in supplies and professional development



Employee Compensation, Benefits and Work Practices

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$3,370,982)		(\$15,074,275)	-1.00	(\$4,967,441)	-0.50	(\$23,412,698)	-1.50	27.2%

- Employee support of benefits and/or changes in work practices
- New tier of retirement benefits for new employees



Contracting Opportunities

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$976,381)	-28.23	(\$1,808,013)	-70.41	(\$1,000,000)		(\$3,784,394)	-98.64	4.4%

- Further contracting of custodial services
- Contract for public lot weed abatement
- Contract for street landscape maintenance
- Contract for El Dorado Park grounds maintenance and park refuse services
- Contracting-in or out of additional City services



Operational and Organizational Changes

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$5,275,668)	-18.60	(\$1,627,087)	-16.04	(\$38,048)	-0.95	(\$6,940,803)	-35.59	8.1%

- Consolidate departmental functions and eliminate operational duplication
- Reduce centralized technology support functions
- Shift eligible costs to alternate funding sources
- Reduce staffing for gas field service response
- Reduce electricity, air conditioning and other energy costs
- Phase out CNG and phase in LNG program



Capital Projects and Infrastructure

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$1,257,664)	-3.22	(\$1,101,416)	-6.50	(\$500,000)		(\$2,859,080)	-9.72	3.3%

- Defer gas pipeline replacement and other non-critical infrastructure maintenance
- Reduce structural maintenance of park facilities
- Defer wireless communications infrastructure improvements
- Reduce mini-park development resources
- Explore alternate funding sources for capital projects
- Maintain funding for Sidewalk Improvement Program, ADA projects and provides funding for a pilot Alley Improvement Program in FY 04



Maintenance Reductions

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$518,385)	-2.62	(\$2,000,706)	-33.00			(\$2,519,091)	-35.62	2.9%

- Reduce grounds and structural maintenance at parks, Ranchos and undeveloped City lots
- Curtail maintenance, repair and modification of City facilities
- Reduce maintenance on gas meter set assemblies and monitoring equipment



Materials, Supplies and Equipment

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$3,903,203)	-7.00	(\$876,121)	-5.00			(\$4,779,324)	-12.00	5.6%

- Reduce use of cell phones and pagers
- Reduce office supplies, furniture, reprographics and computer equipment
- Eliminate 400 light-duty and 60 heavy-duty City vehicles and defer acquisition of fleet equipment
- Extend PC replacement cycles



Recreation Services

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$751,135)	-5.20	(\$1,120,725)	-29.66	(\$42,430)	-0.88	(\$1,914,290)	-35.74	2.2%

- Reduce support to outside recreation service providers
- Eliminate free winter sports-field lighting
- Eliminate staffing at smaller park sites
- Reduce environmental educational programs
- Reduce program and service support to the Ranchos
- Restructure volunteer recognition event
- Reduce youth activities and services
- Reduce teen and adult activities and services
- Reduce senior activities and services



Library Services

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$846,876)	-11.83					(\$846,876)	-11.83	1.0%

- Reduced hours of operation at various branches
- Reduce books/materials budget to FY 02 levels
- Reduce substitute librarian staffing
- Institute rolling closures of neighborhood libraries



Public Safety Support and Related Services

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$3,656,426)	-31.50	(\$2,289,036)	-36.15	(\$2,777,709)	-61.77	(\$8,723,171)	-129.42	10.1%

- Reduce Animal Control staffing
- Reduce Patrol Bureau overtime usage
- Reduce Park Ranger Program in FY 06
- Reconfigure Police Athletic League (PAL) in FY 04 and eliminate in FY 06
- Transfer financial responsibility for school crossing guards
- Reduce clerical, security and police support services



Public Safety Emergency Services

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$146,676)	-2.00	(\$1,300,000)				(\$1,446,676)	-2.00	1.7%

- Eliminate two Fire Prevention Firefighter positions
- Review Fire Service delivery and staffing methodology



Arts and Cultural Programs

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$780,858)	-0.54	(\$300,000)				(\$1,080,858)	-0.54	1.3%

- Reduce General Fund support for the Public Corporation of the Arts (PCA)
- Reduce Municipal Band concert season from 8 weeks to 6 weeks
- Reduce support to outside service organizations
- Reduce funding for the Museum of Art to FY 02 levels



Communication, Promotions and Special Events

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$197,441)	-1.00	(\$213,708)	-2.00			(\$411,149)	-3.00	0.5%

- Reduce size and number of City publications
- Consolidate public information efforts



Business Services and Attraction

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$312,215)	-7.00					(\$312,215)	-7.00	0.4%

- Eliminate Economic Development Business Technology Division
- Reduce Development Support costs in Public Works



Code Enforcement

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$184,402)	-3.00	(\$507,931)	-5.76			(\$692,333)	-8.76	0.8%

- Restructure Code Enforcement services eliminating duplication of efforts



Return on Assets & Marketing Opportunities

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$4,520,000)						(\$4,520,000)		5.3%

- SERRF profit
- Marketing opportunities
- Signal Hill Fire services contract
- Additional Gas Fund transfer
- RDA statutory pass-through



New Fee & Tax Options

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$790,000)		(\$3,830,000)				(\$4,620,000)		5.4%

- Assess Business License tax on two and three unit rental properties
- Increase a Preferential Parking Permit fee
- Establish a Natural Gas Production tax
- Contract collection services for towing revenue
- Charge an "After-Hours Release" fee
- Implement a Fiber Optics fee



New Fee & Tax Options (continued)

- Increase the Transient Occupancy Tax (TOT)
- Implement 10 percent fee on City-owned parking lots
- Assess an Admissions tax
- Assess a Port Container tax
- Assess a Library tax
- Place parking meters in parks
- Implement cat licensing
- Legalize gambling on the Queen Mary



Existing Fee or Tax Options

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$5,770,000)						(\$5,770,000)		6.7%

- Increase Civic Center parking rates
- Increase street sweeping parking violation rate
- Increase other Parking violation rates
- Sunset Business License tax discount
- Increase non-sufficient funds fee
- Increase late payment penalties



Existing Fee or Tax Options (continued)

- Increase Natural Gas Service Establishment fee
- Increase Natural Gas Service Reconnection fee
- Increase Oil Production tax
- Increase Adult Sport fees
- Assess Business License Tax on all applicable businesses
- Increase Business License Permitting/Investigation Fees



Existing Fee or Tax Options (continued)

- Increase Animal Control fees
- Reinstate Recreational Swim fees and increase Community Pool Swim fees
- Increase certain Public Health Clinical fees
- Increase Storage fees for towed vehicles



One-time Revenue/Transfer Options

<i>FY 04</i>		<i>FY 05</i>		<i>FY 06</i>		<i>THREE YEAR TOTAL</i>		<i>% OF THE SOLUTION</i>
Dollars	FTE	Dollars	FTE	Dollars	FTE	Dollars	FTE	
(\$2,625,000)		(\$3,925,000)		(\$3,925,000)		(\$10,475,000)		N/A

- General Services Fund transfer
- Employee Benefits Fund transfer
- Airport Fund loan repayment
- Additional one-time Gas Fund transfer
- Sell City Hall East
- Insurance Fund transfer

Service Assessment and Optimization





Contracting-In/Contracting-Out

- **Contracting-in work from outside agencies could help offset fixed costs**
- **Contracting-out service delivery with private companies could reduce on-going operating costs and possibly increase service efficiency**



Contracting Opportunities

➤ **\$3.8 million over three years**

- ✓ \$1.8 million - Expanding existing service areas
- ✓ \$2.0 million - New opportunities



Contracting In/Contracting Out

➤ Areas to consider:

- ✓ Vehicle Maintenance
- ✓ Parking Enforcement Operations
- ✓ Helicopter Maintenance
- ✓ Towing Operations
- ✓ Reprographic Services
- ✓ Information & Technology Services
- ✓ Billing & Collections Functions
- ✓ Business License Processing
- ✓ Street Sweeping
- ✓ Street Surveying Services



Optimization

- **Other areas are considered candidates for redesign or consolidation and should result in significant cost savings**
- **Areas recommended for outside review:**
 - ✓ Employee compensation & staffing (underway)
 - ✓ Fire services
 - ✓ Fire & Police dispatch consolidation
 - ✓ Workers' Compensation, Risk Management & Occupational Health functions
 - ✓ Code enforcement & inspection services



Optimization

➤ **Other areas for improved efficiency:**

- ✓ Meter Reading & Billing Cycles
- ✓ Consolidation of Contract Management Functions
- ✓ Video Production Services
- ✓ Information & Technology Services
- ✓ Communication & Marketing Functions
- ✓ Citywide Employee Safety Program
- ✓ Surveying Services
- ✓ Geographic Information System (GIS) Service
- ✓ Citywide User Fee/Cost Recovery



The Optimization Process

- **Similar to the Service Assessment process in the mid-1990s, the current process will:**
 - ✓ Ensure competitiveness from a cost and quality perspective
 - ✓ Identify a broad range of options to improve efficiency and effectiveness
 - ✓ Find specific opportunities for contracting-out, contracting-in and reengineering
- **Proposition “L” procedures will be followed**
- **Long Beach Plan will continue to identify and address opportunities for assessment and process improvement**

Employee Transition and Next Steps





Employee Transition Strategy

- **Assistance to be offered to employees affected by downsizing**
 - ✓ Training for internal transfers and for career opportunities outside of the City
 - ✓ Workforce Investment Act grants
 - ✓ Workshops, retraining, educational assistance, career counseling and job search assistance
- **Goal is to ensure that no one is “left behind”**
- **City has a great deal of experience in Career Transition Programs**



Managing the Downsizing

- **The outcomes of the Plan are not pleasant**
- **All share in the burden of the cuts: management, employees and the Community**
- **Plan is a working document**
- **To eliminate the structural deficit, measures must be taken to reduce costs in the General Fund consistent with the amounts listed in the Plan**



Next Steps

- **Initiate immediate operations reviews**
- **February: Second City Council Budget Workshop (February 18th)**
- **February: Community workshops to further explain the Plan, “Voice Your Choice” survey results and BAC recommendations**
- **March: Town Hall Meeting**
- **March/April: City Council endorses the Three-Year Financial Strategic Plan**



Next Steps

- **City Council FY 04 budget workshops anticipated for April 2003, with the focus on approving policy direction for FY 04 budget**
- **Working with Len Wood, outside Budget Advisor**
- **Proposed Budget Oversight Committee to provide ongoing advice to the City Council for FY 05 and FY 06 Budget reduction measures**